

CITY OF JEFFERSON, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

CITY OF JEFFERSON, IOWA
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CITY OF JEFFERSON, IOWA
OFFICIALS
June 30, 2020

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2020)		
Craig Berry	Mayor	January, 2020
Harry Ahrenholtz	Mayor Pro-Tem	January, 2022
David Sloan	Council Member	January, 2020
Larry Teeples (Resigned March, 2019)	Council Member	
Darren Jackson (Appointed April, 2019)	Council Member	January, 2022
Matt Wetrich	Council Member	January, 2020
Matt Gordon	Council Member	January, 2022
Michael Palmer	City Administrator	Appointed
Diane Kennedy	City Clerk	Appointed
Robert A. Schwarzkopf	Attorney	Appointed
(After January, 2020)		
Matt Gordon	Mayor	January, 2024
Harry Ahrenholtz	Mayor Pro-Tem	January, 2022
David Sloan	Council Member	January, 2024
Darren Jackson	Council Member	January, 2022
Matt Wetrich	Council Member	January, 2024
Pat Zmolek	Council Member	January, 2022
Michael Palmer	City Administrator	Appointed
Diane Kennedy (Resigned March, 2020)	City Clerk	Appointed
Roxanne Gorsuch, (Appointed April, 2020)	City Clerk	Appointed
Robert A. Schwarzkopf	Attorney	Appointed

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor and
Members of the City Council

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Jefferson, as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Jefferson's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the three years ended June 30, 2013 (which are not presented herein), were audited by other auditors whose reports expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 26 through 30, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and
Members of the City Council

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 18, 2021 on our consideration of the City of Jefferson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Jefferson's internal control over financial reporting and compliance.

Barbara M. DeWitt, CPA, P.C.

Atlantic, Iowa
May 18, 2021

CITY OF JEFFERSON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2020

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,015,447	\$ 43,266	\$ 163,517
Public works	739,889	--	558,499
Health and social services	25,168	--	--
Culture and recreation	1,267,160	402,290	165,623
Community and economic development	633,039	15,707	--
General government	454,969	57,525	48,309
Debt service	553,255	--	--
Capital projects	<u>1,781,704</u>	<u>--</u>	<u>4,420</u>
Total governmental activities	<u>6,470,631</u>	<u>518,788</u>	<u>940,368</u>
Business type activities:			
Water	929,818	1,060,121	--
Sewer	980,304	965,371	2,206
Sanitation	478,787	523,084	--
Recycling	<u>162,310</u>	<u>159,114</u>	<u>--</u>
Total business type activities	<u>2,551,219</u>	<u>2,707,690</u>	<u>2,206</u>
Component Unit:			
Airport	<u>745,133</u>	<u>--</u>	<u>73,710</u>
Total	<u>\$ 9,766,983</u>	<u>\$ 3,226,478</u>	<u>\$ 1,016,284</u>

(continued next page)

<u>Program Receipts</u> Capital Grants, Contributions, and Restricted Interest	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Position</u>			<u>Major Discretely Presented Component Unit</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total Primary Government</u>	
\$ --	\$ (808,664)	\$ --	\$ (808,664)	\$ --
--	(181,390)	--	(181,390)	--
--	(25,168)	--	(25,168)	--
--	(699,247)	--	(699,247)	--
212,887	(404,445)	--	(404,445)	--
--	(349,135)	--	(349,135)	--
--	(553,255)	--	(553,255)	--
--	(1,777,284)	--	(1,777,284)	--
<u>212,887</u>	<u>(4,798,588)</u>	<u>--</u>	<u>(4,798,588)</u>	<u>--</u>
--	--	130,303	130,303	--
--	--	(12,727)	(12,727)	--
--	--	44,297	44,297	--
--	--	(3,196)	(3,196)	--
<u>--</u>	<u>--</u>	<u>158,677</u>	<u>158,677</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(671,423)</u>
<u>\$ 212,887</u>	<u>(4,798,588)</u>	<u>158,677</u>	<u>(4,639,911)</u>	<u>(671,423)</u>

CITY OF JEFFERSON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2020

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
General Receipts and Transfers:			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Hotel/motel tax			
Local option sales tax			
Sale of capital assets			
Unrestricted interest on investments			
Bond proceeds			
Premium on bonds			
Miscellaneous			
Rent/dividend			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
Cash Basis Net Position			
Restricted:			
Non Expendable:			
Cemetery perpetual care			
Expendable:			
Streets			
Urban renewal purposes			
Debt service			
Capital projects			
Other purposes			
Unrestricted			
Total cash basis net position			

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Discretely Presented Component Unit
	Governmental Activities	Business Type Activities	Total Primary Government	
	\$ 1,858,657	\$ --	\$ 1,858,657	\$ --
	353,429	--	353,429	--
	646,195	--	646,195	--
	112,930	--	112,930	--
	459,007	--	459,007	--
	15,000	--	15,000	--
	44,436	5,454	49,890	--
	2,434,600	--	2,434,600	--
	110,551	--	110,551	--
	258,330	30,856	289,186	72,174
	--	--	--	54,029
	<u>157,500</u>	<u>(147,500)</u>	<u>10,000</u>	<u>(10,000)</u>
	<u>6,450,635</u>	<u>(111,190)</u>	<u>6,339,445</u>	<u>116,203</u>
	1,652,047	47,487	1,699,534	(555,220)
	<u>4,471,409</u>	<u>5,010,359</u>	<u>9,481,768</u>	<u>148,869</u>
	<u>\$ 6,123,456</u>	<u>\$ 5,057,846</u>	<u>\$ 11,181,302</u>	<u>\$ (406,351)</u>
	\$ 199,518	\$ --	\$ 199,518	\$ --
	(2,574)	--	(2,574)	--
	661,185	--	661,185	--
	145,218	35,156	180,374	--
	1,562,512	--	1,562,512	--
	1,950,130	--	1,950,130	--
	<u>1,607,467</u>	<u>5,022,690</u>	<u>6,630,157</u>	<u>(406,351)</u>
	<u>\$ 6,123,456</u>	<u>\$ 5,057,846</u>	<u>\$ 11,181,302</u>	<u>\$ (406,351)</u>

CITY OF JEFFERSON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2020

	<u>General</u>	<u>Special Revenue</u> <u>Road Use Tax</u>	<u>Tax Increment Financing</u>
Receipts:			
Property tax	\$ 1,254,765	\$ --	\$ --
Tax increment financing	--	--	646,195
Other city tax	112,930	--	--
Licenses and permits	40,746	--	--
Use of money and property	51,788	--	15,707
Intergovernmental	127,621	558,499	--
Charges for service	312,737	--	--
Miscellaneous	351,570	2,788	--
Total receipts	<u>2,252,157</u>	<u>561,287</u>	<u>661,902</u>
Disbursements:			
Operating:			
Public safety	1,001,447	--	--
Public works	129,369	610,520	--
Health and social services	4,290	--	--
Culture and recreation	1,242,236	--	--
Community and economic development	159,829	--	348,923
General government	454,969	--	--
Debt service	--	--	175,190
Capital projects	--	--	--
Total disbursements	<u>2,992,140</u>	<u>610,520</u>	<u>524,113</u>
Excess (deficiency) of receipts over (under) disbursements	(739,983)	(49,233)	137,789
Other financing sources (uses):			
Bond proceeds	--	--	--
Premium on bonds	--	--	--
Sale of capital assets	15,000	--	--
Transfers in	1,078,847	--	--
Transfers out	(101,821)	(50,000)	--
Total other financing sources (uses)	<u>992,026</u>	<u>(50,000)</u>	<u>--</u>
Change in cash balances	252,043	(99,233)	137,789
Cash balances beginning of year	<u>1,355,424</u>	<u>96,659</u>	<u>523,396</u>
Cash balances end of year	<u>\$ 1,607,467</u>	<u>\$(2,574)</u>	<u>\$ 661,185</u>

(continued next page)

<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<u>Employee Benefits</u>				
\$ 603,892	\$ --	\$ 353,429	\$ 2,212,086	
--	--	--	646,195	
--	--	459,007	571,937	
--	--	--	40,746	
--	23,105	3,368	93,968	
--	--	242,608	928,728	
--	--	--	312,737	
--	--	244,272	598,630	
<u>603,892</u>	<u>23,105</u>	<u>1,302,684</u>	<u>5,405,027</u>	
--	--	14,000	1,015,447	
--	--	--	739,889	
--	--	20,878	25,168	
--	--	24,924	1,267,160	
--	--	124,287	633,039	
--	--	--	454,969	
--	--	378,065	553,255	
--	769,969	1,011,735	1,781,704	
<u>--</u>	<u>769,969</u>	<u>1,573,889</u>	<u>6,470,631</u>	
603,892	(746,864)	(271,205)	(1,065,604)	
--	2,434,600	--	2,434,600	
--	110,551	--	110,551	
--	--	--	15,000	
--	--	154,721	1,233,568	
(597,448)	(265,199)	(61,600)	(1,076,068)	
<u>(597,448)</u>	<u>2,279,952</u>	<u>93,121</u>	<u>2,717,651</u>	
6,444	1,533,088	(178,084)	1,652,047	
<u>459,069</u>	<u>29,424</u>	<u>2,007,437</u>	<u>4,471,409</u>	
<u>\$ 465,513</u>	<u>\$ 1,562,512</u>	<u>\$ 1,829,353</u>	<u>\$ 6,123,456</u>	

CITY OF JEFFERSON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2020

	<u>General</u>	<u>Special Revenue</u> <u>Road</u> <u>Use Tax</u>	<u>Tax Increment</u> <u>Financing</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Streets	--	(2,574)	--
Urban renewal purpose	--	--	661,185
Debt service	--	--	--
Capital projects	--	--	--
Other purposes	--	--	--
Unassigned	<u>1,607,467</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 1,607,467</u>	<u>\$(2,574)</u>	<u>\$ 661,185</u>

The accompanying notes are an integral part of these statements.

<u>Special Revenue Employee Benefits</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ 199,518	\$ 199,518
--	--	--	(2,574)
--	--	--	661,185
--	--	145,218	145,218
--	1,562,512	--	1,562,512
465,513	--	1,484,617	1,950,130
<u>--</u>	<u>--</u>	<u>--</u>	<u>1,607,467</u>
<u>\$ 465,513</u>	<u>\$ 1,562,512</u>	<u>\$ 1,829,353</u>	<u>\$ 6,123,456</u>

CITY OF JEFFERSON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2020

	Enterprise	
	Water	Sewer
Operating receipts:		
Use of money and property	\$ --	\$ --
Charges for service	<u>1,060,121</u>	<u>965,371</u>
Total operating receipts	<u>1,060,121</u>	<u>965,371</u>
Operating disbursements:		
Business type activities	<u>860,303</u>	<u>685,242</u>
Total operating disbursements	<u>860,303</u>	<u>685,242</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	199,818	280,129
Non-operating receipts (disbursements):		
Intergovernmental	--	2,206
Interest on investments	3,283	2,171
Miscellaneous	29,401	90
Debt service	--	(295,062)
Capital projects	<u>(69,515)</u>	<u>--</u>
Net non-operating receipts (disbursements)	<u>(36,831)</u>	<u>(290,595)</u>
Excess (deficiency) of receipts over (under) disbursements	162,987	(10,466)
Transfers out	<u>(35,000)</u>	<u>(37,000)</u>
Change in cash balances	127,987	(47,466)
Cash balances beginning of year	<u>3,637,358</u>	<u>1,484,733</u>
Cash balances end of year	<u>\$ 3,765,345</u>	<u>\$ 1,437,267</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ --	\$ 35,156
Unrestricted	<u>3,765,345</u>	<u>1,402,111</u>
Total cash basis fund balances	<u>\$ 3,765,345</u>	<u>\$ 1,437,267</u>

The accompanying notes are an integral part of these statements.

<u>Sanitation</u>	<u>Enterprise Recycling Nonmajor</u>	<u>Total</u>	<u>Component Unit - Airport</u>
\$ --	\$ --	\$ --	\$ 54,029
<u>523,084</u>	<u>159,114</u>	<u>2,707,690</u>	<u>--</u>
523,084	159,114	2,707,690	54,029
<u>478,787</u>	<u>162,310</u>	<u>2,186,642</u>	<u>109,968</u>
478,787	162,310	2,186,642	109,968
44,297	(3,196)	521,048	(55,939)
--	--	2,206	73,710
--	--	5,454	--
1,278	87	30,856	72,174
--	--	(295,062)	--
<u>--</u>	<u>--</u>	<u>(69,515)</u>	<u>(635,165)</u>
1,278	87	(326,061)	(489,281)
45,575	(3,109)	194,987	(545,220)
<u>(63,000)</u>	<u>(12,500)</u>	<u>(147,500)</u>	<u>(10,000)</u>
(17,425)	(15,609)	47,487	(555,220)
<u>(48,459)</u>	<u>(63,273)</u>	<u>5,010,359</u>	<u>148,869</u>
<u>\$(65,884)</u>	<u>\$(78,882)</u>	<u>\$ 5,057,846</u>	<u>\$(406,351)</u>
\$ --	\$ --	\$ 35,156	\$ --
<u>(65,884)</u>	<u>(78,882)</u>	<u>5,022,690</u>	<u>(406,351)</u>
<u>\$(65,884)</u>	<u>\$(78,882)</u>	<u>\$ 5,057,846</u>	<u>\$(406,351)</u>

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jefferson, Iowa is a political subdivision of the State of Iowa located in Greene County. It was first incorporated in 1854 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities, and sanitation and recycling services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Jefferson has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Jefferson (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Jefferson Municipal Airport Commission is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Commission was established pursuant to Chapter 330 of the Code of Iowa to operate the City's airport facility. The Commission is composed of five members appointed by the Jefferson City Council.

The Commission's operating budget is subject to the approval of the Jefferson City Council. The Jefferson Municipal Airport Commission is presented as a Business Type Activity, Proprietary Fund.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Greene County Recycling Agency, Central Iowa Area Safety and Support Organization, the E-911 Board, and the Golden Circle Municipal Officers Association.

City officials are also members of the Greene County Development Corporation (GCDC) and Jefferson Matters/Main Street Board. The City paid a total of \$50,000 and \$20,000, respectively, during the fiscal year ended June 30, 2020.

City officials are also members of the North Dallas County Landfill Commission. See Note 11 for disclosures.

B. Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental funds and nonmajor enterprise funds, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Tax Increment Financing Fund is used to account for urban renewal tax increment financing collections and the repayment of tax increment financing indebtedness.

The Employee Benefits Fund is used to account for the collection and use of tax levied for the cost of employee benefits.

The Capital Projects Fund is utilized to account for the resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Sanitation Fund accounts for the operation of the City's sanitation services.

The City reports the following major component unit:

The Airport Fund accounts for the operation of the Jefferson Municipal Airport.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amount budgeted in the public works, health and social services, general government, debt service, and capital projects functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City and its component unit own approximately \$2,327 of par value cooperative stock, which was acquired by patronage dividend. The stock is not readily marketable, and can only be redeemed by the Coop. The stock is recorded on the books at \$2,327. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa. The City's investment in the Coop stock is unrated.

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The fair value of the cooperative stock was determined using the Coop book value. (Level 3 inputs)

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$4,596,743. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - CASH AND POOLED INVESTMENTS - Continued

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE 3 - BONDS AND NOTES PAYABLE

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Notes/Bonds	\$ 4,635,400	\$ 2,434,600	\$ 425,000	\$ 6,645,000	\$ 1,435,000
Governmental Activities Total	\$ 4,635,400	\$ 2,434,600	\$ 425,000	\$ 6,645,000	\$ 1,435,000
Business Type Activities:					
Sewer Revenue Bonds	\$ 1,375,000	--	265,000	1,110,000	270,000
Business Type Activities Total	\$ 1,375,000	\$ --	\$ 265,000	\$ 1,110,000	\$ 270,000

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Annual debt service requirements to maturity for general obligation bonds and notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds & Notes		Revenue Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 1,435,000	\$ 273,713	\$ 270,000	\$ 23,865
2022	440,000	149,378	275,000	18,060
2023	615,000	139,227	280,000	12,148
2024	375,000	123,627	285,000	6,127
2025	245,000	115,565	--	--
2026-2030	1,325,000	466,383	--	--
2031-2035	1,540,000	243,078	--	--
2036-2039	670,000	51,000	--	--
	<u>\$ 6,645,000</u>	<u>\$ 1,561,971</u>	<u>\$ 1,110,000</u>	<u>\$ 60,200</u>

Year Ending June 30,	Total	
	Principal	Interest
2021	\$ 1,705,000	\$ 297,578
2022	715,000	167,438
2023	895,000	151,375
2024	660,000	129,754
2025	245,000	115,565
2026-2030	1,325,000	466,383
2031-2035	1,540,000	243,078
2036-2039	670,000	51,000
	<u>\$ 7,755,000</u>	<u>\$ 1,622,171</u>

General Obligation Bonds and Notes

On June 12, 2012, the City issued \$2,325,000 of general obligation urban renewal corporate purpose bonds with interest rates ranging from 0.75% to 1.90% per annum. The bonds were issued for urban renewal projects consisting of the construction of a Highway 4 railroad overpass, water, sewer, and street improvements. During the year ended June 30, 2020, the City paid \$315,000 of principal and \$18,065 of interest on the bonds. The bonds mature in fiscal year 2023.

On June 29, 2015, the City issued \$2,420,000 of general obligation urban renewal corporate purpose bonds with interest rates ranging from 2.00% to 3.70% per annum. The bonds were issued for urban renewal projects consisting of the construction for the development of a casino and hotel and water main improvements related to the construction of a grocery store. During the year ended June 30, 2020, the City paid \$110,000 of principal and \$65,190 of interest on the bonds. The bonds mature in fiscal year 2035.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

On June 29, 2015, the City issued \$300,000 of general obligation reimbursement bonds with an interest rate of 2.50%. The bonds were issued to reimburse the City for amounts spent to acquire a municipal golf course. During the year ended June 30, 2020, the City paid \$ - 0 - of principal and \$7,500 of interest on the bonds. The bonds mature in fiscal year 2024.

On March 15, 2017, the City issued \$1,000,000 of general obligation urban renewal corporate purpose notes with an interest rate of 3.50%. The notes were issued for urban renewal projects consisting of the City's share of the construction of the Highway 4 overpass, storm drainage improvements, downtown building improvements and providing matching funds for the CDBG Downtown Revitalization Main Street Façade Rehabilitation Program. During the year ended June 30, 2020, the City paid \$ - 0 - of principal and \$35,000 of interest on the notes. The notes mature in fiscal year 2021.

On June 25, 2019, the City issued \$2,460,000 of general obligation corporate purpose bonds with an interest rate of 3.00%. The bonds were issued for equipment purchases, park, City Hall, pool and street improvements and for the East Entry Way Project. During the year ended June 30, 2020, the City paid \$ - 0 - of principal and \$ - 0 - of interest on the bonds. The bonds mature in fiscal year 2039.

Revenue Bonds

The City has pledged future sewer revenue receipts, net of specified operating disbursements to repay \$3,348,000 of sewer revenue bonds issued March, 2012. Proceeds of the bonds provided financing for the construction of sewer main improvements. The bonds carry an interest rate of 2.15% and are payable solely from the sewer customer net receipts and are payable through 2024. Annual principal and interest payments on the bonds are expected to require more than 100% of net receipts. Total principal and interest remaining to be paid on the bonds is \$1,170,200. For the current year, principal and interest paid and total customer net receipts were \$294,562 and \$280,129.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue sinking account within the Enterprise Funds for the sole purpose of making the bond principal and interest payments when due.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 - PENSION PLAN - Continued

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$178,672.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$966,495 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.016691%, which was a decrease of 0.000827% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$232,093, \$205,073, and \$256,523, respectively.

There were no non-employer contributing entities to IPERS.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 - PENSION PLAN - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100%</u>	

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 - PENSION PLAN - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 1,999,147	\$ 966,495	\$ 100,671

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$528,516 and plan members eligible for benefits contributed \$54,149 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits: Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>32</u>
Total	<u><u>32</u></u>

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 24,000
Comp time	<u>6,000</u>
Total	<u><u>\$ 30,000</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 50,000
	Employee Benefits	597,448
	People Active Community Exercise	12,600
	Equipment Replacement	49,000
	Capital Projects	239,799
	Enterprise:	
	Water	35,000
	Sewer	37,000
	Sanitation	43,000
	Recycling	5,000
	Component Unit:	
	Airport	10,000
		<u>1,078,847</u>
Special Revenue:		
Health Insurance	General	9,000
Special Revenue:		
Equipment Replacement	General	52,044
	Enterprise:	
	Sanitation	20,000
	Recycling	7,500
		<u>79,544</u>
Special Revenue:		
Community Center	Capital Projects	25,400
Special Revenue:		
Library	General	1,400
Special Revenue:		
Downtown Streetscape	General	19,260
Special Revenue:		
Housing Rehabilitation	General	<u>20,117</u>
		<u>\$ 1,233,568</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 8 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City Officials totaling \$5,190 during the year ended June 30, 2020.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 - RISK MANAGEMENT

The City of Jefferson is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - DEFICIT BALANCE

The Road Use Tax Fund, Downtown Building Fund, Sanitation Fund, Recycling Fund and Airport Fund had deficit balances of \$2,574, \$709,294, \$65,884, \$78,882, and \$406,351, respectively at June 30, 2020. The deficits will be eliminated by receipt of property taxes, transfers and grant funds.

NOTE 11 - NORTH DALLAS COUNTY LANDFILL

An agency, the North Dallas County Landfill, has been established for the collection and disposal of solid waste. The Agency may not be accumulating sufficient financial resources, therefore, the City has an ongoing financial responsibility. Complete financial statements for the Agency can be obtained from the North Dallas County Landfill Agency.

NOTE 12 - LEASE

The City has entered into a lease agreement with Van Horn Partnership for approximately 167 acres of farmland at the City's airport. The lease expired February 29, 2007, and automatically renews upon expiration from year-to-year unless either party gives notice not to renew the lease. The City receives two payments with one-half of the payment due by March 1, and the other half due by November 1 of each year. During the fiscal year ended June 30, 2020, the City received a total of \$27,625 under the lease agreement. The City also leases hangars at the airport. The amounts received under the leases vary depending on the size of the space rented out.

NOTE 13 - CONSTRUCTION CONTRACTS

The City has entered into construction contract commitments totaling approximately \$3,573,000 that have remaining commitments at June 30, 2020 of approximately \$3,009,000. The unpaid contract balances will be financed with existing debt proceeds, grant proceeds and future TIF collections.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 14 - TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, \$119,653 of property tax was diverted from the City under the urban renewal and economic development agreements.

NOTE 15 - SUBSEQUENT EVENT

The City has evaluated all subsequent events through May 18, 2021, the date the financial statements were available to be issued.

* * *

OTHER INFORMATION

CITY OF JEFFERSON, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL
FUNDS AND PROPRIETRY FUNDS
OTHER INFORMATION

Year ended June 30, 2020

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 2,212,086	\$ --	\$ 2,212,086
Tax increment financing	646,195	--	646,195
Other city tax	571,937	--	571,937
Licenses and permits	40,746	--	40,746
Use of money and property	93,968	5,454	99,422
Intergovernmental	928,728	2,206	930,934
Charges for service	312,737	2,707,690	3,020,427
Miscellaneous	598,630	30,856	629,486
Total receipts	<u>5,405,027</u>	<u>2,746,206</u>	<u>8,151,233</u>
Disbursements:			
Public safety	1,015,447	--	1,015,447
Public works	739,889	--	739,889
Health and social services	25,168	--	25,168
Culture and recreation	1,267,160	--	1,267,160
Community and economic development	633,039	--	633,039
General government	454,969	--	454,969
Debt service	553,255	--	553,255
Capital projects	1,781,704	--	1,781,704
Business type activities	--	2,551,219	2,551,219
Total disbursements	<u>6,470,631</u>	<u>2,551,219</u>	<u>9,021,850</u>
Excess (deficiency) of receipts over (under) disbursements	(1,065,604)	194,987	(870,617)
Other financing sources (uses), net	<u>2,717,651</u>	<u>(147,500)</u>	<u>2,570,151</u>
Change in fund balances	1,652,047	47,487	1,699,534
Balances beginning of year	<u>4,471,409</u>	<u>5,010,359</u>	<u>9,481,768</u>
Balances end of year	<u>\$ 6,123,456</u>	<u>\$ 5,057,846</u>	<u>\$ 11,181,302</u>

See accompanying independent auditor's report.

Budgeted Amount		Final to Total Variance
Original	Final	
\$ 2,086,442	\$ 2,086,442	\$ 125,644
665,845	665,845	(19,650)
770,444	770,444	(198,507)
16,975	16,975	23,771
97,775	112,775	(13,353)
648,993	828,253	102,681
3,428,295	3,452,991	(432,564)
96,250	96,250	533,236
<u>7,811,019</u>	<u>8,029,975</u>	<u>121,258</u>
966,507	1,080,647	65,200
735,096	735,096	(4,793)
3,000	4,300	(20,868)
1,271,106	1,367,976	100,816
995,978	1,079,545	446,506
346,024	361,634	(93,335)
376,665	376,665	(176,590)
463,349	463,349	(1,318,355)
<u>2,418,065</u>	<u>3,081,636</u>	<u>530,417</u>
<u>7,575,790</u>	<u>8,550,848</u>	<u>(471,002)</u>
235,229	(520,873)	(349,744)
<u>--</u>	<u>--</u>	<u>2,570,151</u>
235,229	(520,873)	2,220,407
<u>9,640,565</u>	<u>9,640,565</u>	<u>(158,797)</u>
<u>\$ 9,875,794</u>	<u>\$ 9,119,692</u>	<u>\$ 2,061,610</u>

CITY OF JEFFERSON, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Enterprise Funds and the Permanent Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$975,058. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amount budgeted in the public works, health and social services, general government, debt service, and capital projects functions.

See accompanying independent auditor's report.

CITY OF JEFFERSON, IOWA
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 FOR THE LAST SIX YEARS*
 (IN THOUSANDS)

OTHER INFORMATION

	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability	0.016691%	0.017518%
City's proportionate share of the net pension liability	\$ 966	\$ 1,109
City's covered payroll	\$ 1,734	\$ 1,746
City's proportionate share of the net pension liability as a percentage of its covered payroll	55.71%	63.52%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.017371%	0.017419%	0.016605%	0.015944%
\$ 1,157	\$ 1,096	\$ 820	\$ 632
\$ 1,652	\$ 1,561	\$ 1,554	\$ 1,520
70.04%	70.21%	52.77%	41.58%
82.21%	81.82%	85.19%	87.61%

CITY OF JEFFERSON, IOWA
SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SEVEN YEARS
(IN THOUSANDS)

OTHER INFORMATION

	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 179	\$ 167
Contributions in relation to the statutorily required contribution	<u>(179)</u>	<u>(167)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
City's covered payroll	\$ 1,857	\$ 1,734
Contributions as a percentage of covered payroll	9.64%	9.63%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 160	\$ 151	\$ 142	\$ 143	\$ 140
(160)	(151)	(142)	(143)	(140)
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 1,746	\$ 1,652	\$ 1,561	\$ 1,554	\$ 1,520
9.16%	9.14%	9.10%	9.20%	9.21%

CITY OF JEFFERSON, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

* * *

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF JEFFERSON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2020

	Special Revenue			
	Cafeteria Plan	Payroll Clearing	Local Option Sales Tax	Police Federal Forfeiture
Receipts:				
Property tax	\$ --	\$ --	\$ --	\$ --
Other city tax	--	--	459,007	--
Use of money and property	--	--	--	--
Intergovernmental	--	--	--	14,510
Miscellaneous	8,310	--	--	--
Total receipts	8,310	--	459,007	14,510
Disbursements:				
Operating:				
Public safety	--	--	--	14,000
Health and social services	6,348	--	--	--
Culture and recreation	--	--	--	--
Community and economic development	--	--	--	--
Debt service	--	--	--	--
Capital projects	--	--	343,137	--
Total disbursements	6,348	--	343,137	14,000
Excess (deficiency) of receipts over (under) disbursements	1,962	--	115,870	510
Other financing sources (uses):				
Transfers in	--	--	--	--
Transfers out	--	--	--	--
Total other financing sources (uses)	--	--	--	--
Change in cash balances	1,962	--	115,870	510
Cash balances beginning of year	4,506	7,333	366,611	(135)
Cash balances end of year	\$ 6,468	\$ 7,333	\$ 482,481	\$ 375
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Debt service	--	--	--	--
Other purposes	6,468	7,333	482,481	375
Total cash basis fund balances	\$ 6,468	\$ 7,333	\$ 482,481	\$ 375

(continued next page)

Special Revenue					
Health Insurance	Equipment Replacement	Unemployment Compensation	Industrial Development	Community Center	Cemetery Mausoleum
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	281	31	4	92
--	--	--	--	--	--
15,474	--	--	--	105,796	--
15,474	--	281	31	105,800	92
--	--	--	--	--	--
14,530	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
14,530	--	--	--	--	--
944	--	281	31	105,800	92
9,000	79,544	--	--	25,400	--
--	(49,000)	--	--	--	--
9,000	30,544	--	--	25,400	--
9,944	30,544	281	31	131,200	92
170,701	429,052	28,664	35,067	5,796	11,506
<u>\$ 180,645</u>	<u>\$ 459,596</u>	<u>\$ 28,945</u>	<u>\$ 35,098</u>	<u>\$ 136,996</u>	<u>\$ 11,598</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
180,645	459,596	28,945	35,098	136,996	11,598
<u>\$ 180,645</u>	<u>\$ 459,596</u>	<u>\$ 28,945</u>	<u>\$ 35,098</u>	<u>\$ 136,996</u>	<u>\$ 11,598</u>

CITY OF JEFFERSON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2020

	Special Revenue			
	Library	Skate Park	Cemetery Land Reserve	LEC Capital Improvement
Receipts:				
Property tax	\$ --	\$ --	\$ --	\$ --
Other city tax	--	--	--	--
Use of money and property	2,960	--	--	--
Intergovernmental	10,360	--	--	2,626
Miscellaneous	9,967	--	--	--
Total receipts	23,287	--	--	2,626
Disbursements:				
Operating:				
Public safety	--	--	--	--
Health and social services	--	--	--	--
Culture and recreation	10,738	--	--	--
Community and economic development	--	--	--	--
Debt service	--	--	--	--
Capital projects	--	--	--	--
Total disbursements	10,738	--	--	--
Excess (deficiency) of receipts over (under) disbursements	12,549	--	--	2,626
Other financing sources (uses):				
Transfers in	1,400	--	--	--
Transfers out	--	--	--	--
Total other financing sources (uses)	1,400	--	--	--
Change in cash balances	13,949	--	--	2,626
Cash balances beginning of year	241,387	1,525	7	23,347
Cash balances end of year	\$ 255,336	\$ 1,525	\$ 7	\$ 25,973
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Debt service	--	--	--	--
Other purposes	255,336	1,525	7	25,973
Total cash basis fund balances	\$ 255,336	\$ 1,525	\$ 7	\$ 25,973

(continued next page)

Special Revenue					
Animal Shelter	Enrich Iowa	Downtown Streetscape	Housing Rehabilitation	Neighborhood Stabilization	Downtown Building
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	--	--	--	--
--	2,225	--	112,887	--	100,000
92,789	--	--	--	--	4,420
92,789	2,225	--	112,887	--	104,420
--	--	--	--	--	--
--	--	--	--	--	--
--	2,225	--	--	--	--
--	--	--	124,287	--	--
--	--	--	--	--	--
--	--	5,308	--	--	663,290
--	2,225	5,308	124,287	--	663,290
92,789	--	(5,308)	(11,400)	--	(558,870)
--	--	19,260	20,117	--	--
--	--	--	--	--	--
--	--	19,260	20,117	--	--
92,789	--	13,952	8,717	--	(558,870)
191,994	1,386	(13,864)	(8,717)	130,771	(150,424)
\$ 284,783	\$ 1,386	\$ 88	\$ --	\$ 130,771	\$ (709,294)
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
284,783	1,386	88	--	130,771	(709,294)
\$ 284,783	\$ 1,386	\$ 88	\$ --	\$ 130,771	\$ (709,294)

CITY OF JEFFERSON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2020

	Special Revenue		Permanent
	People Active Community Exercise	Insurance and Employee Benefits	Perpetual Care
Receipts:			
Property tax	\$ --	\$ --	\$ --
Other city tax	--	--	--
Use of money and property	--	--	--
Intergovernmental	--	--	--
Miscellaneous	--	--	7,516
Total receipts	--	--	7,516
Disbursements:			
Operating:			
Public safety	--	--	--
Health and social services	--	--	--
Culture and recreation	11,961	--	--
Community and economic development	--	--	--
Debt service	--	--	--
Capital projects	--	--	--
Total disbursements	11,961	--	--
Excess (deficiency) of receipts over (under) disbursements	(11,961)	--	7,516
Other financing sources (uses):			
Transfers in	--	--	--
Transfers out	(12,600)	--	--
Total other financing sources (uses)	(12,600)	--	--
Change in cash balances	(24,561)	--	7,516
Cash balances beginning of year	123,978	45,090	192,002
Cash balances end of year	\$ 99,417	\$ 45,090	\$ 199,518
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ 199,518
Restricted for:			
Debt service	--	--	--
Other purposes	99,417	45,090	--
Total cash basis fund balances	\$ 99,417	\$ 45,090	\$ 199,518

See accompanying independent auditor's report.

<u>Debt Service</u>	<u>Total</u>
\$ 353,429	\$ 353,429
--	459,007
--	3,368
--	242,608
--	244,272
<u>353,429</u>	<u>1,302,684</u>
--	14,000
--	20,878
--	24,924
--	124,287
378,065	378,065
--	1,011,735
<u>378,065</u>	<u>1,573,889</u>
(24,636)	(271,205)
--	154,721
<u>--</u>	<u>(61,600)</u>
<u>--</u>	<u>93,121</u>
(24,636)	(178,084)
<u>169,854</u>	<u>2,007,437</u>
<u>\$ 145,218</u>	<u>\$ 1,829,353</u>
\$ --	\$ 199,518
145,218	145,218
<u>--</u>	<u>1,484,617</u>
<u>\$ 145,218</u>	<u>\$ 1,829,353</u>

CITY OF JEFFERSON, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2020

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds and Notes:			
Urban renewal corporate purpose	June 12, 2012	0.75-1.90%	\$ 2,325,000
Urban renewal corporate purpose	June 29, 2015	2.00-3.70%	2,420,000
Reimbursement	June 29, 2015	2.50%	300,000
Urban renewal corporate purpose	March 15, 2017	3.50%	1,000,000
Corporate purpose	June 25, 2019	3.00%	2,460,000
Total General Obligation Bonds and Notes			
Revenue Bonds:			
Sewer	March 15, 2012	2.15%	3,348,000

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$ 1,110,000	\$ --	\$ 315,000	\$ 795,000	\$ 18,065
2,200,000	--	110,000	2,090,000	65,190
300,000	--	--	300,000	7,500
1,000,000	--	--	1,000,000	35,000
<u>25,400</u>	<u>2,434,600</u>	<u>--</u>	<u>2,460,000</u>	<u>--</u>
<u>\$ 4,635,400</u>	<u>\$2,434,600</u>	<u>\$ 425,000</u>	<u>\$ 6,645,000</u>	<u>\$ 125,755</u>
 <u>\$ 1,375,000</u>	 <u>\$ --</u>	 <u>\$ 265,000</u>	 <u>\$ 1,110,000</u>	 <u>\$ 29,562</u>

CITY OF JEFFERSON, IOWA
BOND AND NOTE MATURITIES
June 30, 2020

General Obligation Bonds and Notes						
Year ending June 30,	Urban Renewal Corporate Purpose		Urban Renewal Corporate Purpose		Reimbursement	
	Issued June 12, 2012		Issued June 29, 2015		Issued June 29, 2015	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2021	1.55%	\$ 320,000	2.00%	\$ 115,000		\$ --
2022	1.75%	325,000	2.00%	115,000		--
2023	1.90%	150,000	2.50%	115,000	2.50%	150,000
2024		--	2.50%	125,000	2.50%	150,000
2025		--	2.50%	130,000		--
2026		--	2.70%	130,000		--
2027		--	3.00%	135,000		--
2028		--	3.00%	140,000		--
2029		--	3.00%	140,000		--
2030		--	3.10%	145,000		--
2031		--	3.40%	150,000		--
2032		--	3.40%	155,000		--
2033		--	3.70%	160,000		--
2034		--	3.70%	165,000		--
2035		--	3.70%	170,000		--
2036		--		--		--
2037		--		--		--
2038		--		--		--
2039		--		--		--
		<u>\$ 795,000</u>		<u>\$2,090,000</u>		<u>\$ 300,000</u>
Revenue Bonds						
Sewer						
Year ending June 30,	Issued March, 2012					
	Interest Rates	Amount				
2021	2.15%	\$ 270,000				
2022	2.15%	275,000				
2023	2.15%	280,000				
2024	2.15%	285,000				
		<u>\$1,110,000</u>				

See accompanying independent auditor's report.

General Obligation Bonds and Notes				
Urban Renewal Corporate Purpose Issued March 15, 2017		Corporate Purpose Issued June 25, 2019		
Interest Rate	Amount	Interest Rate	Amount	Total
3.50%	\$1,000,000		\$ --	\$ 1,435,000
--	--		--	440,000
--		3.00%	200,000	615,000
--		3.00%	100,000	375,000
--		3.00%	115,000	245,000
--		3.00%	120,000	250,000
--		3.00%	125,000	260,000
--		3.00%	125,000	265,000
--		3.00%	130,000	270,000
--		3.00%	135,000	280,000
--		3.00%	140,000	290,000
--		3.00%	145,000	300,000
--		3.00%	150,000	310,000
--		3.00%	150,000	315,000
--		3.00%	155,000	325,000
--		3.00%	160,000	160,000
--		3.00%	165,000	165,000
--		3.00%	170,000	170,000
--		3.00%	175,000	175,000
	<u>\$1,000,000</u>		<u>\$2,460,000</u>	<u>\$ 6,645,000</u>

CITY OF JEFFERSON, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Receipts:				
Property tax	\$ 2,212,086	\$ 2,169,772	\$ 2,118,228	\$ 1,970,785
Tax increment financing	646,195	748,773	596,709	176,770
Other city tax	571,937	589,279	515,123	566,261
Licenses and permits	40,746	34,769	33,934	20,645
Use of money and property	93,968	41,198	36,712	37,297
Intergovernmental	928,728	941,964	1,649,232	845,091
Charges for service	312,737	353,768	351,130	392,191
Miscellaneous	<u>598,630</u>	<u>454,710</u>	<u>1,097,279</u>	<u>522,003</u>
Total	<u>\$ 5,405,027</u>	<u>\$ 5,334,233</u>	<u>\$ 6,398,347</u>	<u>\$ 4,531,043</u>
Disbursements:				
Operating:				
Public safety	\$ 1,015,447	\$ 959,100	\$ 851,078	\$ 665,321
Public works	739,889	660,684	778,764	552,149
Health and social services	25,168	37,213	22,944	11,794
Culture and recreation	1,267,160	1,385,761	1,182,486	1,125,821
Community and economic development	633,039	573,622	389,957	428,825
General government	454,969	523,533	573,087	585,406
Debt service	553,255	555,086	562,429	527,350
Capital projects	1,781,704	768,599	1,912,746	2,221,176
Business type activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 6,470,631</u>	<u>\$ 5,463,598</u>	<u>\$ 6,273,491</u>	<u>\$ 6,117,842</u>

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,932,225	\$ 1,902,406	\$ 1,844,801	\$ 1,812,279	\$ 1,794,961	\$ 1,719,267
118,310	109,844	121,253	123,983	52,999	126,533
608,210	501,572	464,053	441,741	413,014	425,258
38,555	49,858	28,408	22,408	23,099	16,912
38,864	33,090	23,068	4,409	4,829	12,345
720,839	757,014	765,826	984,128	1,047,001	1,399,726
373,215	370,175	339,652	438,195	423,233	368,017
<u>366,759</u>	<u>181,053</u>	<u>212,422</u>	<u>362,274</u>	<u>440,640</u>	<u>142,873</u>
<u>\$ 4,196,977</u>	<u>\$ 3,905,012</u>	<u>\$ 3,799,483</u>	<u>\$ 4,189,417</u>	<u>\$ 4,199,776</u>	<u>\$ 4,210,931</u>
\$ 684,080	\$ 617,761	\$ 619,909	\$ 592,421	\$ 839,472	\$ 556,021
484,532	435,810	478,777	411,183	370,876	670,334
11,787	24,399	12,510	21,065	16,365	9,166
1,179,639	1,056,589	1,027,617	895,093	938,327	808,607
718,392	1,417,933	803,432	1,063,153	754,177	846,638
542,338	524,614	530,120	507,874	488,136	478,417
532,254	458,601	480,622	414,524	1,360,326	353,579
360,284	275,450	640,648	2,231,786	1,281,238	472,417
<u>--</u>	<u>--</u>	<u>--</u>	<u>130,698</u>	<u>120,628</u>	<u>108,057</u>
<u>\$ 4,513,306</u>	<u>\$ 4,811,157</u>	<u>\$ 4,593,635</u>	<u>\$ 6,267,797</u>	<u>\$ 6,169,545</u>	<u>\$ 4,303,236</u>

CITY OF JEFFERSON, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2020

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants	14.228	17-HSG-009	\$ 112,887
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Airport Improvement Program	20.106	3-19-0049-011-2018	900
Airport Improvement Program	20.106	3-19-0049-012-2019	429,459
Airport Improvement Program	20.106	3-19-0049-013-2020	204,588
			<u>634,947</u>
U.S. Department of the Treasury:			
Iowa Department of Homeland Security and Emergency Management:			
Coronavirus Relief Fund	21.109	21019	<u>66,239</u>
Total			<u>\$ 814,073</u>

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of City of Jefferson under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Jefferson, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Jefferson.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate - The City of Jefferson has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 18, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Jefferson's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Jefferson's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Jefferson's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and
Members of the City Council

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: II-A-20

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jefferson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to the Findings

The City of Jefferson's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Jefferson's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bernard L. Bell, CPA, CFE, CFF, CICA

Atlantic, Iowa
May 18, 2021

Gronewold, Bell, Kyhnn & Co. P.C.

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CHRISTOPHER J. NELSON
DAVID A. GINTHER

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Mayor and
Members of the City Council

Report on Compliance for Each Major Federal Program

We have audited the City of Jefferson, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Jefferson's major federal program for the year ended June 30, 2020. The City of Jefferson's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Jefferson's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jefferson's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Jefferson's compliance.

To the Honorable Mayor and
Members of the City Council

Opinion on the Major Federal Program

In our opinion, the City of Jefferson complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

The management of the City of Jefferson is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Jefferson's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Jefferson's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gunnar H. Burt, John W.P.C.

Atlantic, Iowa
May 18, 2021

CITY OF JEFFERSON, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

PART I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The audit did not disclose any material weaknesses or significant deficiencies in internal control over the major program.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 20.106 - Airport Improvement Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Jefferson did not qualify as a low-risk auditee.

CITY OF JEFFERSON, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

II-A-20 Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The City has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF JEFFERSON, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

PART III: Findings and Questioned Costs For Federal Awards

CFDA Number 20.106: Airport Improvement Program
Federal Award Year: 2018, 2019 and 2020
U.S. Department of Transportation

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART IV: Other Findings Related to Required Statutory Reporting

IV-A-20 Certified Budget: Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the public works, health and social services, general government, debt service, and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

Recommendation: The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response: In the future the budget will be amended before disbursements are allowed that would exceed the City's spending authority.

Conclusion: Response accepted.

IV-B-20 Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-20 Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

CITY OF JEFFERSON, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

PART IV: Other Findings Related to Required Statutory Reporting - Continued

IV-D-20 Business Transactions: Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
David Sloan, Council Member, part-owner of Jefferson Monument Works	Services	\$ 5,190

The transaction above does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

IV-E-20 Restricted Donor Activity: No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

IV-F-20 Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-G-20 Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-H-20 Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy. However, the City and its component unit own \$2,327 par value common stock of the West Central Cooperative. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa.

The stock is not readily marketable, and can only be redeemed by the Coop and thus no market value of the shares is determinable. However, the City should monitor the marketability of the stock and consider selling the stock if a market becomes available.

IV-I-20 Revenue Bonds: No instances of non-compliance with revenue bond resolutions were noted.

CITY OF JEFFERSON, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

PART IV: Other Findings Related to Required Statutory Reporting - Continued

IV-J-20 Financial Condition: The following funds had deficit balances at June 30, 2020.

Special Revenue - Road Use Tax	\$	2,574
Downtown Building		709,294
Enterprise - Sanitation		65,884
Recycling		78,882
Component Unit - Airport		406,351

Recommendation: The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position

Response: The deficits will be eliminated.

Conclusion: Response accepted.

IV-K-20 Annual Urban Renewal Report: The Annual Urban Renewal Report was not approved or certified to the Iowa Department of Management on or before December 1.

Recommendation: The City should approve and file the Annual Urban Renewal Report timely.

Response: These items will be corrected on next year's report.

Conclusion: Response accepted.

IV-L-20 Tax Increment Financing (TIF): Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. No exceptions were noted.

CITY OF JEFFERSON, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

PART IV: Other Findings Related to Required Statutory Reporting - Continued

IV-M-20 Economic Development: During the year ended June 30, 2020, the City paid \$50,000 to the Greene County Development Corporation (GCDC) and \$20,000 to Jefferson Matters/Main Street. The City has documented the public benefits received from these expenditures, however, it is disclosed here for public information.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses the specific criteria to be considered in documenting public purpose.

Recommendation: The City should continue to evaluate and document the public purpose served by these expenditures before authorizing further payments.

Response: We will continue to evaluate and document the public purpose in the future.

Conclusion: Response accepted.

IV-N-20 Transfer Resolutions: In accordance with Chapter 545-2.1 of the Code of Iowa, all interfund transfers made on or after April 17, 2019 must have an approved transfer resolution stating the purpose for the transfer, name of the fund from which the transfer is originating, name of the fund into which the transfer is being received and the dollar amount being transferred. The City did not have approved resolutions for transfers made after April 17, 2019.

Recommendation: An approved resolution should have been made in accordance with Chapter 545-2.1 of the Code of Iowa.

Response: We will make sure to approve all transfers made in the future with a proper authorized resolution.

Conclusion: Response accepted.

* * *